

# **Regents Bonding Bill Senate File 474**

**FINAL ACTION**

April 24, 2009

## **Executive Summary Only**

**An Act relating to the bonding authorization of the state board of regents for buildings and facilities including bonding for flood repair, restoration, replacement, and mitigation at the state university of Iowa.**

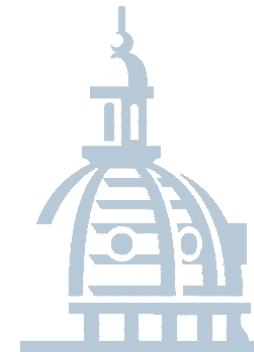


## **NOTES ON BILLS AND AMENDMENTS (NOBA)**

Available on line at <http://www3.legis.state.ia.us/noba/index.jsp>

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# **EXECUTIVE SUMMARY NOBA**

# **SENATE FILE 474 REGENTS BONDING BILL**

## **BONDING SUMMARY**

- Authorizes the Board of Regents to issue and sell academic revenue bonds totaling \$115.0 million in net proceeds.
- Of the total amount, \$100.0 million of the proceeds will be used to provide the State match to leverage Federal Emergency Management Agency (FEMA) funding and provide funding for repairs and replacement of facilities that were damaged during the flooding on the University of Iowa (SUI) campus in June 2008.
- The additional \$15.0 million in net proceeds will be used by the College of Veterinary Medicine at Iowa State University (ISU) for construction and renovation required to provide expanded clinical services for a small animals hospital.

## **FUNDING SUMMARY**

- The projected total debt for the proposed \$115.0 million of academic revenue bonds is \$252.5 million, reflecting principal of \$137.2 million and interest of \$115.3 million.
- Total projected debt for all authorized academic revenue bonds from 2004, 2007, and 2009 authorizations, once all bond issuances occur, is estimated to be \$852.8 million. Of this amount, total estimated need for tuition replacement is \$758.0 million. This is an increase of \$254.2 million compared to the tuition replacement estimated solely from the 2004 and 2007 bonding authorizations. In addition, debt service payments will continue until FY 2040.
- The increase in the tuition replacement appropriation will not occur until FY 2013, when the amount needed will be \$29.3 million, an increase of \$5.0 million from the current tuition replacement appropriation.

## **ACADEMIC REVENUE BONDS AND TUITION REPLACEMENT**

- Academic revenue bonds must be authorized by the General Assembly and Governor. In recent years, Senate File 2298 (FY 2005 Omnibus Appropriations Act) from the 2004 Legislative Session and HF 920 (Regents Bonding Act) from the 2007 Legislative Session authorized the Board to issue bonds totaling \$120.0 million and \$131.4 million, respectively. The Board approves a schedule for bond issuances for projects at the three universities under its jurisdiction. The 2007 bonding authorization has two remaining issuances scheduled in calendar year 2009 and one scheduled for 2010.
- Academic revenue bonds are guaranteed by student tuition fees, but the General Assembly annually appropriates funds to the Board to pay the debt service and minimize tuition increases. The Board of Regents advises that without the tuition replacement appropriation, the aggregate increase in tuition fees could be 5.0%. The tuition replacement appropriation provides most of the annual debt service, but a portion of the debt service is paid from reserve fund interest. For example, in FY 2009 the total debt service payment will be \$29.8 million, but the tuition replacement appropriation is \$24.3 million.

## EXECUTIVE SUMMARY NOBA

## SENATE FILE 474 REGENTS BONDING BILL

### DEFINITION EXPANDED

### FLOOD DAMAGE – UNIVERSITY OF IOWA

### ISU - PHASE II VETERINARY MEDICAL FACILITIES PROJECT

### ENACTMENT

- This Bill expands the definition of “buildings and facilities” to include auditoriums and concert halls. This will allow for the restoration of all damaged facilities, including Hancher Auditorium.
- Total damage from the 2008 floods is estimated to be \$743.0 million. According to the Board of Regents, the funding for flood recovery is from several sources:
  - \$478.0 million in federal funding from FEMA.
  - \$80.0 million from insurance proceeds.
  - \$30.0 million in private funds.
  - \$30.0 million in bond proceeds from the self-supporting University of Iowa Parking System.
  - \$25.0 million in bond proceeds from the bonding authorization approved in prior years.
  - \$100.0 million in bond proceeds from the authorization in SF 474.
- The funds from the \$15.0 million in net bond proceeds will be used by the College of Veterinary Medicine at ISU for construction and renovation required to provide expanded clinical services for a small animal hospital. The intent is to enhance instruction and service related to companion animals in a safe and efficient facility that meets accreditation standards. The College will renovate the former large animal hospital space, demolish and renovate the current small animal hospital, and provide new construction for new administrative and community practice space. When completed, the project is expected to provide 120,000 square feet of small animal hospital teaching and clinical service space.
- The total project cost is estimated at \$38.0 million. The Board received \$1.8 million in FY 2009 from the Rebuild Iowa Infrastructure Fund (RIIF) for design and planning purposes. House File 822 (FY 2010 Infrastructure Appropriations Bill) provides \$13.0 million from the RIIF for FY 2011. In addition, the project will receive \$10.0 million of the net bond proceeds in SF 376 (Revenue Bonding and I-JOBS Program Act).
- This Bill was approved by the General Assembly on April 24, 2009.